

**AIRPORT AUTHORITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2009**



**AIRPORT AUTHORITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

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# AIRPORT AUTHORITY

## DIRECTORY

### Directors

Kato Tama (*Chairman*)

Ngametua Arakua

Archer Hosking

Aukino Tairea

Alan Maki

Desmond Eggleton (*resigned 20/03/09*)

### Chief Executive Officer

Joseph Ngamata

### Address

Level 1 and 2

Airport Authority Administration Building

Rarotonga International Airport

P.O. Box 90

Panama

Rarotonga

Cook Islands

Phone: (00682) 25 890

Fax: (00682) 21 890 / 21 892

### Auditors

Cook Islands Audit Office

### Bankers

Australia and New Zealand Banking Group Limited

Westpac Banking Corporation

Bank of the Cook Islands

### Solicitors

Browne Harvey and Associates P.C.

Gibsons Law P.C.



# AIRPORT AUTHORITY

## DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2009

The directors present their report for the year ended 30 June 2009.

### Activities

The principal activity of the Airport Authority is to operate the airports on Rarotonga and Aitutaki in accordance with the Airport Authority Act 1985, the Airports Security Act 1986 and other relevant legislation and in compliance with the standards and recommended practices of the International Civil Aviation Organisation.

The Airport Authority is owned by the Government of the Cook Islands but is controlled and managed by Cook Islands Investment Corporation (in accordance with the Cook Islands Investment Corporation Act 1998). The Authority is considered to be an in-substance subsidiary of Cook Islands Investment Corporation.

### Results

	2009	2008
Net profit / (loss) after tax	(\$426,299)	\$41,165
Total assets	\$61,924,273	\$61,264,777
Taxpayers' funds	\$58,591,918	\$59,168,217

The Authority's revenues have decreased by \$491,227. This was mainly due to the decrease in the Authority's Crown appropriation from \$2,340,000 in 2008 to \$2,047,997 for this year, a decrease of \$292,003. Rarotonga landing revenues have also decreased by \$187,370 during the year. The number of flights has reduced to an average of 11 flights a week and there is only one connecting Air New Zealand flight to Los Angeles operating now. Aitutaki landing revenues have also dropped by \$17,384 during the year.

Interest received from our investments decreased by \$5,856. Part of the investment was drawn to assist in the financing of our terminal upgrade project this year.

Rental and concessions on the other hand increased by \$73,018 during the year. International terminal charges also increased by \$10,367 despite the reduction in the number of flights to Rarotonga.



# AIRPORT AUTHORITY

## DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2009

The Authority's costs have increased by \$203,139. Insurance payments increased by \$118,054 partly due to the extra insurance cover and also the strengthening US dollar. Electricity increased also by \$72,400 due to the new rates introduced during the year. Wages and salaries increased by \$46,309. Staff from the other divisions continued to assist the Aviation Security Division with the security work during flights.

The Aitutaki Runway loan with the Westpac Bank has been paid in full in November 2008. The Rarotonga Terminal Upgrade loan with Westpac Bank for \$6.5 million was signed in January 2009 although this was not fully drawn at balance date. The term is for 15 years and a variable interest rate is applicable at 7.5% per annum.

### Changes in Accounting Policies

There have been no changes in accounting policies from those used in previous years.

### Directors

The following directors held office until the date of this report:

Kato Tama (*Chairman*)

Aukino Tairea

Ngametua Arakua

Alan Maki

Archer Hosking

Desmond Eggleton (*resigned 20/03/09*)

### Remuneration of Directors

The directors were paid fees of \$32,250 during the current year (2008: \$27,031).

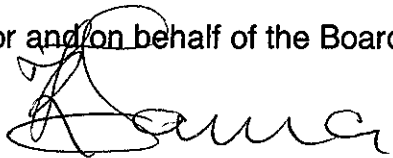
### Dividends

The Cook Islands Investment Corporation was paid a dividend of \$150,000 during the current year (2008: nil).

### Auditors

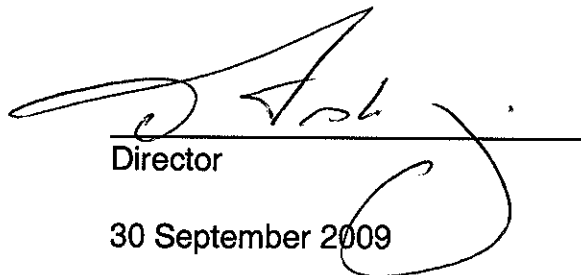
In accordance with Section 22 of the Airport Authority Act 1985, the directors have re-appointed the Cook Islands Audit Office as auditor.

For and on behalf of the Board



Chairman

30 September 2009



Director

30 September 2009





## AUDIT REPORT

### TO THE READERS OF THE FINANCIAL STATEMENTS OF THE AIRPORT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2009

We have audited the financial statements on pages 8 to 22. The financial statements provide information about the past financial performance of the Airport Authority and its financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 14 to 15.

#### Director's Responsibilities

The Directors are responsible for the preparation of the financial statements, including financial statements that give a true and fair view of the financial position, borrowings, commitments and specific fiscal risks of the Airport Authority as at 30 June 2009, and the results of its operations and cash flows for the year ended 30 June 2009.

#### Auditor's Responsibilities

Section 28(4) of the Ministry of Finance and Economic Management Act 1995-96 requires the Cook Islands Audit Office to audit the financial statements presented by the Airport Authority. It is the responsibility of the Cook Islands Audit Office to express an independent opinion on the financial statements and report its opinion to you.

#### Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the Airport Authority in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Airport Authority's circumstances, and consistently applied.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor, we have no relationship with or interests in the Airport Authority.

## AIRPORT AUTHORITY

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
<b>Income</b>		
Crown appropriation	2,047,997 <sup>^</sup>	2,340,000
Gain on sale of assets	-	24,889
Hire and labor charges	9,804 <sup>o</sup>	26,041
Identification badges	9,146 <sup>o</sup>	10,473
Interest received	138,515 <sup>^</sup>	144,381
International terminal charges	891,406 <sup>x</sup>	881,039
Landing fees - Rarotonga	2,253,832 <sup>x</sup>	2,441,202
Landing fees - Aitutaki	194,272 <sup>x</sup>	211,656
Rental and concessions	1,009,242	936,224
Sale of fuel	4,834 <sup>o</sup>	9,439
Sundry	10,410 <sup>^</sup>	35,341
Total Income	6,569,458	7,060,685
<b>Expenses</b>		
Audit fees	10,000 <sup>/</sup>	11,250
Bad debts	11,721 <sup>/</sup>	-
Communications	77,376 <sup>^</sup>	70,145 <sup>^</sup>
Consultancy, legal and professional fees	155,275 <sup>x</sup>	167,964
Courses and conferences	106,929 <sup>/</sup>	129,650
Depreciation	1,943,890	2,022,173
Directors fees	32,250 <sup>/</sup>	27,031
Early retirement bonus / long service leave	-	5,120
Electricity	407,028 <sup>o</sup>	334,628
Hire of Equipment, Plant and Labour	261,449	283,804 <sup>^</sup>
Insurance	297,378 <sup>/</sup>	179,324
Interest expense	17,572 <sup>/</sup>	97,398
Leases	45,443 <sup>/</sup>	46,073
Motor vehicle expenses	126,596 <sup>/</sup>	100,790

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 22 and the Audit Report on pages 6 and 7

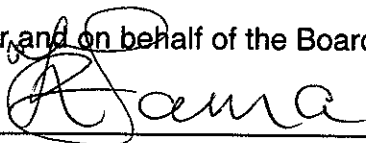


**AIRPORT AUTHORITY**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2009**

	Notes	2009	2008
<b>TAXPAYERS' FUNDS</b>		<u>\$58,591,918</u>	<u>\$59,168,217</u>
<b>Represented By:</b>			
<b>CURRENT ASSETS</b>			
Cash and bank		331,702	694,276
Current term deposits	3	1,108,096	2,806,935
Accounts receivable		389,170	388,102
Prepayments		55,454	18,667
Value Added Tax receivable		251,923	-
Annual leave taken in advance		1,229	3,560
Inventories	4	76,645	73,870
Taxes receivable		200,670	-
		<u>2,414,889</u>	<u>3,985,410</u>
<b>FIXED ASSETS</b>	2	59,509,020	57,279,003
<b>INVESTMENTS</b>	3	364	364
<b>TOTAL ASSETS</b>		<u>61,924,273</u>	<u>61,264,777</u>
<b>CURRENT LIABILITIES</b>			
Trade creditors		204,198	174,962
Sundry creditors and accruals	5	395,342	108,332
Value Added Tax payable		-	32,584
Taxes payable		-	331,508
Current portion of bank loan	6	45,010	401,871
		<u>644,550</u>	<u>1,049,257</u>
<b>NON CURRENT LIABILITIES</b>			
Bank loan	6	1,660,917	-
Deferred taxation		1,026,888	1,047,303
		<u>2,687,805</u>	<u>1,047,303</u>
<b>TOTAL LIABILITIES</b>		<u>3,332,355</u>	<u>2,096,560</u>
<b>NET ASSETS</b>		<u>\$58,591,918</u>	<u>\$59,168,217</u>

For and on behalf of the Board



Chairman

30 September 2009



Chief Executive Officer

30 September 2009

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 22 and the Audit Report on pages 6 and 7





**AIRPORT AUTHORITY**

**STATEMENT OF MOVEMENTS IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
<b>EQUITY AT 1 JULY 2008</b>	59,168,217	59,127,052
Net profit / (loss) after taxation	(426,299)	41,165
Dividends declared	(150,000)	-
<b>EQUITY AT 30 JUNE 2009</b>	<u>\$58,591,918</u>	<u>\$59,168,217</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 22 and the Audit Report on pages 6 and 7



**AIRPORT AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash was provided from:		
Receipts from customers	4,370,157	4,688,800
Interest received	138,515	144,381
Crown appropriation received	2,283,257	2,340,000
	6,791,929	7,173,181
Cash was applied to:		
Payments to suppliers and employees	5,152,903	4,539,203
Interest paid	17,572	97,398
Taxes paid	663,016	-
	5,833,491	4,636,601
Net cash flows from operating activities	958,438	2,536,580
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was provided from:		
Sale of fixed assets	-	24,892
Reclassification of term deposits as cash held	2,806,935	-
	2,806,935	24,892
Cash was applied to:		
Purchase of fixed assets	4,173,907	504,205
Net investments into term deposits	-	661,093
	4,173,907	1,165,298
Net cash flows from investing activities	(1,366,972)	(1,140,406)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Net proceeds from term loans	1,304,056	-
Cash was applied to:		
Repayment of term loan	-	1,046,322
Dividends paid	150,000	-
	150,000	1,046,322
Net cash flows from financing activities	1,154,056	(1,046,322)
Net Increase in Cash Held	745,522	349,852
Opening Cash Balance	694,276	344,424
<b>CLOSING CASH BALANCE</b>	<b>\$1,439,798</b>	<b>\$694,276</b>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 22 and the Audit Report on pages 6 and 7



**AIRPORT AUTHORITY**

**STATEMENT OF CASH FLOWS (continued)  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008
<b>Cash Comprises Of:</b>		
Cash and bank	331,702	694,276
Current term deposits	1,108,096	-
	<u>\$1,439,798</u>	<u>\$694,276</u>
 <b>RECONCILIATION OF NET LOSS TO CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Reported loss	(426,299)	41,165
 Add / (less): Non cash items		
Depreciation	1,943,890	2,022,173
	<u>1,943,890</u>	<u>2,022,173</u>
 Add / (less): Items classified as investing activities		
Gain on sale of assets	-	(24,889)
Loss on sale of fixed assets	-	895
	<u>-</u>	<u>(23,994)</u>
 Add / (less): Movements in working capital items		
(Increase) / decrease in accounts receivable	(1,068)	137,385 -
(Increase) / decrease in inventories	(2,775)	(6,602) •
(Increase) / decrease in prepayments	(36,787)	(1,199) -
(Increase) / decrease in annual leave taken in advance	2,331	5,773 -
(Increase) / decrease in Value Added Tax receivable	(251,923)	<i>Irrecoverable</i> -
(Increase) / decrease in taxes receivable	(200,670) <i>mon</i>	-
Increase / (decrease) in trade creditors	29,236 x	(63,000)
Increase / (decrease) in sundry creditors	287,010 x	(13,451)
Increase / (decrease) in Value Added Tax payable	(32,584) x	(4,024)
Increase / (decrease) in taxes payable	(331,508) ✓	331,508
	<u>(538,738)</u>	<u>386,390</u>
 Add / (less): Movements in working capital items relating to investing activities		
(Increase) / decrease in sundry creditors	-	105,029
 Add: Increase / (decrease) in deferred taxation	(20,415)	5,817
 Net cash flows from operating activities	<u>\$958,438</u>	<u>\$2,536,580</u>

These accounts should be read in conjunction with the Notes to the Financial Statements on pages 14 to 22 and the Audit Report on pages 6 and 7



## AIRPORT AUTHORITY

### STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2009

These financial statements are presented and prepared in accordance with the Airport Authority Act 1985 and with generally accepted accounting practice in New Zealand. Where no financial reporting standards exist in New Zealand in relation to a particular issue, the accounting policies and disclosures adopted have been determined with regard to other forms of authoritative support. The Airport Authority is a body corporate incorporated under the Airport Authority Act 1985.

#### GENERAL ACCOUNTING POLICIES

The general accounting policies recognised as appropriate for the measurement and reporting of results, cash flows and financial position under the historical cost method, as modified by the revaluation of certain assets, have been followed in the preparation of these financial statements. The financial statements have been prepared using the accrual basis of accounting.

#### PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which significantly affect the measurement of financial performance, financial position and cash flows, have been applied;

##### Receivables

Debtors are recorded at estimated realisable value after providing against debts where collection is doubtful.

##### Inventories

Inventories are stated at the lower of cost and net realisable value, determined on a first in first out basis and where applicable, the weighted average cost is applied.

##### Provision for Employee Entitlement.

Annual leave and time off in lieu of overtime worked are recognized as they accrue to employees.

##### Fixed Assets

Fixed assets are recorded at cost with the exception of land, buildings and the runways valued at optimised depreciated replacement cost (ORDC) as an estimate of the fair value of these assets based on an independent valuation performed in June 2004.



## AIRPORT AUTHORITY

### STATEMENT OF ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 30 JUNE 2009

#### PARTICULAR ACCOUNTING POLICIES

##### Depreciation

Depreciation is charged on a straight line basis for all assets. The estimated useful lives are as follows:

Runways - Rarotonga	5 - 69 years	Equipment	5 - 10 years
Runways - Aitutaki	5 - 34 years	Furniture and fittings	4 - 5 years
Buildings - Aitutaki	5 - 37 years	Motor vehicles	4 - 5 years
Buildings - Rarotonga	5 - 56 years	Rescue fire vehicles	3 - 20 years

For land, buildings, and runways depreciation of assets is estimated on a straight line basis by applying a factor to the optimized replacement costs to reflect the loss of value due to the age and physical condition of the asset.

##### Taxation

The Authority follows the liability method of accounting for deferred taxation. The taxation charge against the surplus for the period is the estimated liability in respect of that surplus after allowance for permanent differences. This is the comprehensive basis for the calculation of deferred taxation.

Future taxation benefits attributable to timing differences or losses carried forward are recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences or losses will be utilised by the Authority.

##### Leased Assets

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

##### Foreign Currencies

Foreign currency transactions are recorded at the exchange rates in effect at the date of the transaction. Monetary assets and liabilities arising from trading transactions are translated at closing rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance.

#### CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies from those used in previous years.



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
<b>1. TAXATION</b>		
<b><u>The Income Tax Expense has been calculated as follows:</u></b>		
Net Profit / (loss) before tax	(315,876)	378,490
Plus: Non-deductible items		
Depreciation	1,120,071	1,761,618
Net loss on sale of fixed assets	-	895
	1,120,071	1,762,513
Less: Dividends paid	(150,000)	-
	654,195	2,141,003
Assessable Income before Tax Losses carried forward	654,195	2,141,003
Utilisation of Tax losses carried forward	-	(483,463)
	654,195	1,657,540
Assessable Tax Income	654,195	1,657,540
<i>Current Tax Expense (at 20%)</i>	130,839	331,508
Plus/(Less)		
Utilisation of tax losses carried forward	-	96,693
Timing difference on Depreciation	(20,416)	(90,876)
	(20,416)	5,817
<i>Deferred Tax Expense</i>	(20,416)	5,817
	\$110,423	\$337,325
Total Income Tax Expense	\$110,423	\$337,325
<b>The Income Tax Expense is represented by:</b>		
Current tax	130,839	331,508
Deferred tax	(20,416)	5,817
	\$110,423	\$337,325



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

#### 2 FIXED ASSETS

<u>30 June 2009</u>	Cost / Valuation	Accum Depn	Net Book Value
Freehold land	10,059,454	-	10,059,454
Buildings	6,195,485	2,501,634	3,693,851
Runways	46,225,129	5,461,530	40,763,599
Equipment	2,302,037	1,396,031	906,006
Furniture and fittings	134,220	113,868	20,352
Motor vehicles	3,632,782	2,412,405	1,220,377
Tools	41,964	34,407	7,557
Work in progress	2,837,824	-	2,837,824
	<u>\$71,428,895</u>	<u>\$11,919,875</u>	<u>\$59,509,020</u>
<u>30 June 2008</u>			
Freehold land	10,059,454	-	10,059,454
Buildings	6,195,485	1,961,073	4,234,412
Runways	45,581,674	4,346,552	41,235,122
Equipment	1,954,524	1,275,742	678,782
Furniture and fittings	132,258	104,403	27,855
Motor vehicles	3,117,387	2,309,655	807,732
Tools	41,964	33,565	8,399
Work in progress	227,247	-	227,247
	<u>\$67,309,993</u>	<u>\$10,030,990</u>	<u>\$57,279,003</u>

The Airport Authority revalued its fixed assets comprising of land, buildings and the runways for both the Aitutaki and Rarotonga Airports in June 2004. The valuation was completed by Mr Dougal Smith (ANZIV), an independent valuer from The Property Advisory Group (TPAG), Christchurch, New Zealand.

The valuation was prepared in accordance with New Zealand Financial Reporting Standard No. 3 (FRS 3), Accounting for Property, Plant and Equipment and New Zealand Property Institute (NZPI), Valuation Standard No 3.

The identified assets have been valued at "fair value", in their highest and best use. Optimised depreciated replacement cost has been used as an estimate of the fair value of the assets, where the estimate of the fair value cannot be reliably determined using market based evidence.

# AIRPORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

### 2 FIXED ASSETS (continued)

The replacement costs have been assessed on the basis of the modern equivalent asset (MEA) that would most efficiently reproduce the utility provided by the existing asset.

Replacement cost estimates have included:

- material and labour costs associated with construction
- plus allowances for,
- contingencies, site establishment, professional fees and insurance, and
- holding costs during construction.

Optimisation of specialised assets has two main steps: adjustments for over-capacity in surplus or redundant assets, and adjustments for technical obsolescence. For the valuation purposes, Airport Authority assets have been separated into two distinct categories, namely specialised and non specialised assets.

	2009	2008
<b>3. INVESTMENTS</b>		
Term deposits	1,108,096	2,806,935
Shares – Hawaiian Airlines Inc	364	364
	<u>\$1,108,460</u>	<u>\$2,807,299</u>

The term deposits are held for the following purposes:

Self insurance fund	1,108,460	1,634,617
Terminal development	-	1,172,318
	<u>\$1,108,460</u>	<u>\$2,806,935</u>

### 4. INVENTORIES

Spare parts	17,321	16,980
Croda Foam	53,831	52,199
Other	5,493	4,691
	<u>\$76,645</u>	<u>\$73,870</u>





## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
<b>5. SUNDRY CREDITORS AND ACCRUALS</b>		
Provision for annual leave	83,274	64,054
Payroll accruals	37,749	30,527
Crown appropriation accrued for repayment	<del>235,260</del>	-
Other	39,059	13,751
	<u>\$395,342</u>	<u>\$108,332</u>
<b>6. BANK LOAN</b>	<i>160,082</i> <i>235,260</i>	
Westpac Banking Corporation	\$1,705,927	\$401,871
	<u>\$1,705,927</u>	<u>\$401,871</u>
Current	45,010	401,871
One to two years	282,164	-
Two to three years	304,069	-
Three to five years	709,040	-
More than 5 years	365,644	-
	<u>\$1,705,927</u>	<u>\$401,871</u>

The Aitutaki Runway loan with Westpac Bank was paid in full in November 2008. The Rarotonga Terminal Upgrade loan with Westpac Bank for \$6.5 million was signed in January 2009 although it was not fully drawdown at balance date. The term is for 15 years and a variable interest rate is applicable at 7.5% per annum. The loan is secured by debenture over the Authority's assets and by way of mortgage over its land leases and income.

## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

#### 7. RELATED PARTIES

Included in revenue and expenses and both debtors and creditors are various balances with related parties including: Revenue Management Division, Treasury Division, Te Aponga Uira, Telecom Cook Islands, various ministries and the Cook Islands Government.

The Authority received Crown appropriation income of \$2,047,997 for the year (2008: \$2,340,000). The sundry creditors and accruals balance includes an accrual for an over payment of Crown appropriation of \$235,260 (2008: nil).

There is a Value Added Tax receivable at 30 June 2009 of \$251,923 (2008: Value Added Tax payable balance of \$32,584).

There are no other material amounts outstanding and all other transactions with related parties have been provided in accordance with normal commercial terms.

#### 8. PARENT ENTITY

The Authority is a wholly owned entity of the Government of the Cook Islands.

Under the Cook Islands Investment Corporation Act 1998, the Authority is controlled and managed by the Corporation and is considered to be an in-substance subsidiary of Cook Islands Investment Corporation.

#### 9. SEGMENT INFORMATION

The Airport Authority operates in the aviation industry within the Cook Islands.



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
<b>10. FINANCIAL COMMITMENTS</b>		
A) Lease commitments:		
Within one year	43,899	43,899
One to two years	43,899	43,899
Two to five years	131,697	131,697
Beyond five years	831,732	875,631
	<u>\$1,051,227</u>	<u>\$1,095,126</u>
B) Hire of Baggage X-ray Machine:		
Within one year	-	44,100
One to two years	-	14,700
	<u>-</u>	<u>\$58,800</u>
C) Capital Commitments	\$5,604,304	\$227,247
	<u>\$5,604,304</u>	<u>\$227,247</u>

There were no other financial commitments at balance date (2008: nil).



## AIRPORT AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 30 JUNE 2009

#### 11. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2008: nil).

#### 12. FINANCIAL INSTRUMENTS

##### (a) Currency, Interest Rate and Credit Risks

###### (i) Currency

The Authority undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currency arise.

###### (ii) Interest Rate

The Authority is exposed to interest rate risk due to the term loan which has a variable interest rate.

###### (iii) Concentrations of Credit Risk

In the normal course of business, the Authority incurs credit risk from trade debtors and transactions with financial institutions. The Authority has a credit policy which is used to manage this risk. As part of this policy, limits on exposures with counterparties have been set and approved by the Board of Directors and are monitored on a regular basis.

The Authority has no significant concentrations of credit risk. The Authority does not require any collateral or security to support financial instruments due to the quality of financial institutions and trade debtors dealt with.

##### (b) Fair Values

The carrying values of all financial assets and liabilities are considered to be the equivalent of their fair values.